Abstract

This study compares and evaluates the financial performance and the stability of the top ten Islamic and commercial banks in the world over the period 2005–2009 and provides explanations for the financial policies of each kind of bank. In addition, it provides some recommendations for improving near and long term performance. Furthermore, it utilizes six financial ratios (net profit margin, return on equity, return on assets, assets turnover, earnings per share and gearing), horizontal analysis and the Statistical Package for the Social Sciences (SPSS) to assess the financial performance and the stability of the banks during the period of study. The main results of this study show that the financial performances of the Islamic banks were better than the financial performances of the commercial banks. Finally, the financial performances of Islamic banks seem to be more stable than commercial banks and the effect of the financial crisis on the banking sector was stronger on the commercial banks than Islamic banks.